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DEPARTMENT FOR NEA/ARP, EEB/TPP/ABT/ATP

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SUBJECT: KUWAITI FOOD SECURITY: LESS THAN MEETS THE EYE...

11. (SBU) Key Points

-- Despite high profile press reports, the GoK has not invested in buying farm land in developing countries.

-- The Kuwait Fund and the Arab fund have both provided loans and grants to support agricultural sectors in developing countries.

-- There is some interest in agricultural investments, but concerns about host country corruption and the difficulties of actually obtaining food in a crisis are strong disincentives, making investment in increasing local storage capacity here a higher priority for food security.

No Recent GoK Investments in Asian or African Land

12. (SBU) Kuwaiti officials all contradicted press reports (including in the Economist) that the GoK had invested in Asian farm land as a way to ensure food security. Ahmad Bastaki, the Executive Director for the office of Kuwait Investment Authority's (KIA) Managing Director flatly stated that the "only KIA investment" to come out of high-level GoK trips on this issue was "the time" of KIA's Managing Director. Salah Al-Kulaib, the Chairman and Managing Director of Kuwait's (government owned) Kuwait Flour Mills and Bakeries Company and in charge of Kuwait's food security program, was equally dismissive saying that the GoK had made no such investments. On the private sector side, Ahmad Al-Hamad, the Managing Director of the Kuwait-China Investment Company thought there might be some investment opportunities, but told Econcouns that his company had "pitched it" to KIA, but found no takers.

13. (SBU) Al-Kulaib explained his concerns about buying developing country arable land as a food security measure. The first problem, he noted, was the lack of adequate infrastructure in a host country, which would complicate his efforts to bring the goods to market. The second problem was one of corruption. Officials in these countries, he said, would all be happy to sell land as long as it was the right land and the right person got paid off. As an additional disincentive, the land in East Asia was also not appropriate for the type of rice Kuwaitis would eat: Basmati rice. Finally, of course, Kuwait would have no way of actually obtaining the food in genuine global crisis. If the host country government didn't shut off exports in a food crisis, he suggested, it could be overthrown. "We don't have an army to get it," even if we wanted to, he noted wryly. He had, therefore, recommended against buying arable land and instead investing in building storage capacity sufficient for one-year of scarcity. This appeared to be the route that most of the GCC countries were taking. For his part, he was investing in dramatically expanding Kuwait Flour Mills' silos for purely commercial purposes. The GoK had not yet made a decision on his suggested "strategic grain reserve."

¶4. (SBU) Al-Kulaib said that he would be interested in investing in arable land, but only in countries that were already large agricultural goods exporters with a solid rule of law. He expressed some interest in investing in the United States, Australia, and possibly Brazil, and asked whether Econcouns could give him any advice on U.S. agricultural investments. With regard to Kuwait's one high-profile investment in agriculture, Sudan's Kenyana Sugar Company (30.5% KIA owned), he said we haven't gotten our money out of that for 30-years, though he acknowledged that it had been very profitable over the past year.

Aid Programs for Agriculture

¶5. (U) Kuwait-Based aid agencies provide assistance to food security and agricultural programs. The Arab Fund for Economic and Social Development provides loans to support the agricultural sector. According to the Arab Fund, its most recent loan of 12 million KD (USD 42 million) was to Yemen for agricultural and fisheries development in the Hadramut coastal Area. The Kuwait Fund has also provided agricultural loans since its establishment. According to the Kuwait Fund, it has provided over USD 2.3 billion to finance around 118 agricultural projects over the past 47 years. The largest percentage of these loans has gone to Arab countries followed by Asia. The Kuwait Fund has also provided loans to infrastructure projects that would directly or indirectly support agriculture and rural development.

Private sector investments

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¶6. (U) While the GoK appears to find the food security argument insufficiently compelling to justify investments as a matter of policy in developing nation arable land, private Kuwaitis are large overseas property owners and developers, particularly in countries like Lebanon, Syria and Egypt. While these are focused more on commercial or residential real estate, private Kuwaitis will invest wherever returns are expected to be high and could conceivably invest in agriculture. These investments would be motivated out of profit rather than food security concerns.

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